

# P63

## Diploma in Insurance

### Unit P63 – Long term insurance business

### April 2013 examination

#### Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**



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## Unit P63 – Long term insurance business

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Three** hours are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer all questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

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**PART I****Answer ALL questions in Part I****Note form is acceptable where this conveys all the necessary information**

1. List **eight** sources of income that could form part of an individual's taxable income. (8)
2. Outline **six** of the FSA's Principles for Businesses (PRIN). (12)
3. Explain the specific factors a claims assessor must consider when assessing a claim for the death of a UK policy holder outside of the UK. (15)
4. Outline **five** different types of trust. (10)
5. Outline **three** different methods of applying a monetary extra when underwriting an under average life. (9)
6. Explain the duration of the duty of disclosure, quoting relevant case law and statute to support your answer. (10)
7. Describe **five** optional covers an employer could include within a group income protection scheme in addition to the income benefit payable. (15)
8. Explain how an immediate needs, long-term care annuity operates. (10)
9. Outline the key characteristics of a unit linked investment bond. (8)
10. Describe the key features of an over 50s plan and a funeral plan. (8)
11. Explain the characteristics of friendly societies and Holloway societies. (10)

12. Outline the main requirements of the Data Protection Act 1998. (13)
13. Explain briefly the term 'new business strain' and how it may be mitigated. (6)
14. State **six** provisions that may typically be included in the trust deed, where a life policy is written under trust. (6)

**Questions continue over the page**

**PART II**

**Answer TWO of the following THREE questions  
Each question is worth 30 marks**

- 15. (a)** Discuss the various Total Permanent Disability (TPD) definitions in the UK market. **(10)**

A claims assessor at a life office has been presented with a TPD claim for Mr Jones, who is 30 years old and is suffering with Chronic Fatigue Syndrome.

- (b)** Discuss the process they will go through when assessing the claim, and the issues that may arise. **(20)**

- 16.** You are an underwriter at a life office and have been presented with an application for a life of another policy with a sum assured of £5 million.

Discuss potential reasons for this cover, and your considerations when financially underwriting the case, assuming the life is acceptable from a medical perspective at standard rates, stating the potential risks when insuring high value lives.

**(30)**

- 17.** Mr Smith aged 35, has recently married. He is keen to effect a life insurance policy which can adapt to his changing needs over time.

Discuss how term insurance policies may provide him with the flexibility he is looking for.

**(30)**

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